

DOMINICAN REPUBLIC¹

MINIMUM WAGE

The minimum wage in the Dominican Republic is set by a National Salary Committee appointed by the President. The Committee reports to the Secretariat of Labor and its Director General. In order to change the minimum wage, the Director General, two Committee members appointed by the President, and special Committee members that represent labor and management hold hearing and then publish proposed minimum wages. The special Committee members are appointed by the Director General, based on the recommendation of labor and management organizations.

Employers and workers have 15 days to register objections to a minimum wage recommendation with the Secretary of Labor. If there are no objections, the new wages become law. If there are objections, the Secretary of Labor considers them and either approves the new minimum wages (and they become law) or send the recommendations back to the Committee for further consideration. The minimum wages must be reviewed at least every two years.

The minimum wage rate established depends on the size of an employer and the nature of its business.

- Since July 29, 1997, the monthly minimum wage in the *Free Trade Zones* has been 1,932 Dominican Republic pesos (RD\$) or about 120.75 U.S. dollars (US\$) at the March 1999 exchange rate of RD\$16 equal to US\$1.
- Since October 18, 1997, the monthly minimum wages for *industrial, commercial, or service companies* have been RD\$2,412 (US\$150.75) for companies with capital assets of at least RD\$500,000 (US\$31,250), RD\$1,728 (US\$108.00) for those with capital assets between RD\$200,000 and RD\$500,000 (US\$12,500 to 31,250), and RD\$1,555 (US\$97.19) for those with capital assets of RD\$200,000 or less.
- Since October 9, 1997, the monthly minimum wages for *hotels, restaurants, bars, cafes and other food service establishments* have been RD\$2,309 (US\$144.31) for companies with capital assets of more than RD\$500,000 (US\$31,250), RD\$1,649 (US\$103.06) for those with capital assets between RD\$200,000 and RD\$500,000 (US\$12,500 to 31,250), and RD\$1,485 (US\$92.81) for those with capital assets of RD\$200,000 or less.
- Since May 30, 1998, the hourly minimum wages for *manufacturers/repairers of shoes, purses,*

¹Unless noted otherwise, information presented here is from American Embassy—Santo Domingo, unclassified telegram No. 1150 (March 4, 1999).

bags, belts, etc. outside of the Free Trade Zones have been RD\$10.80 (US\$0.675) for companies with capital assets of at least RD\$300,000 (US\$18,750) and RD\$8.64 (US\$0.54) for those with capital assets under RD\$300,000.

- The current monthly minimum wage for *public sector workers*, which is set directly by Presidential Decree, is RD\$1,500 (US\$93.75).
- There are also minimum wages for *other specific groups* (e.g., for security guards or employees of non-profit organizations), but the wages given above cover the majority of workers employed in the formal sector.

The Labor Code establishes a standard work period of 8 hours per day and 44 per week. The code also stipulates that all workers are entitled to 36 hours of uninterrupted rest each week. In practice, a typical workweek is Monday through Friday plus half a day on Saturday, but longer hours are not unusual. The code grants workers a 35 percent differential for work totaling between 44 to 68 hours per week and double time for any hours above 68 hours per week.²

PREVAILING OR AVERAGE WAGE

No information on the prevailing or average wage in the manufacturing sector or the footwear and apparel industries was provided by the U.S. Embassy, but the Labor Secretariat maintains some aggregate labor statistics on its web site <<http://www.set.gov.do>>.³

The table below presents available data from the International Labor Organization (ILO) on average hourly earnings (direct wages per worker) in the Dominican Republic in for all employees in the manufacturing sector; data were not available for the apparel and footwear industries. Earnings data include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.⁴ Average hours worked per week by all employees in manufacturing were 44.1 for the years 1991 through 1997.⁵ Current average earnings, which are reported by the ILO in the national

² U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 607.

³ American Embassy—Santo Domingo, unclassified telegram No. 2647 (June 2, 1998).

⁴ International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

⁵ International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 737

currency, were converted to US\$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1991 = 100.

Average Hourly Earnings in All Manufacturing

Year	All Manufacturing		Real Earnings Index (RD\$: 1991=100)
	(RD\$)	(US\$)	
1990	na	na	na
1991	10.4	0.82	100
1992	12.2	0.96	113
1993	11.3	0.89	99
1994	17.4	1.32	141
1995	16.6	1.22	119
1996	18.0	1.31	123
1997	21.6	1.51	136

Note: na = not available.

Source: ILO, *Yearbook of Labour Statistics*, 1998, p. 821.

NON-WAGE BENEFITS

Government mandated non-wage benefits for workers in the apparel and footwear industry do not differ from those of other workers:

- Workers in the formal sector are entitled to 14 days of vacation per year and severance pay equivalent to almost one month of pay per year of service.
- Some workers receive health care through the Dominican Institute of Social Security (IDSS), a government agency funded by workers, employers, and the government. The IDSS also pays and employees a portion of their salary if they miss more than seven days of work due to illness/injury.
- In the Free Trade Zones, most companies have “collective vacations” in which the businesses close during the December holiday season. The employees are obligated to use their 14 vacation days at that time. Outside of the Free Trade Zones, it is more typical that employees take their vacation days on the anniversary of their date of hire.

A U.S. Social Security Administration survey⁶ elaborates on three different non-wage benefit programs in which employers in the Dominican Republic are required to participate for their employees: (1) old age,

⁶ Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 108-109.

disability, and death benefits were instituted in 1947 as a social insurance system and currently the insured person pays 2.5 percent of earnings according to 15 different wage classes, the employer pays 7.5 percent of payroll according to the wage classes, and government pays 2.5 percent of total taxable earnings and any deficit; (2) sickness and maternity benefits, started in 1947, are financed in the same manner as for pensions; and (3) work injury is covered under a law enacted in 1932, with the employer paying the entire cost of the insurance based on risk factors—the average payment is about 2.5 percent of payroll.

ASSESSING BASIC NEEDS: THE POVERTY LINE

There are no current data available regarding the poverty line. The Central Bank last conducted a poverty line study in 1989. The U.S. Embassy estimates that approximately 60 percent of the Dominican population lives in poverty.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization⁷ reports several sets of measures of a poverty line for the Dominican Republic:

! for 1978, 43 percent of the rural Dominican population was below the rural poverty line of an annual per capita income of US\$263 and 45 percent of the urban Dominican population was below the urban poverty line of an annual per capita income of US\$451, with a national poverty rate of 44 percent.⁸

! for 1988, 78 percent of the rural Dominican population was below the poverty line.⁹

⁷ Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), p. 59.

⁸ The estimates are referenced as originating from the World Bank, *Social Indicators of Development 1988* (Washington: World Bank, 1988). The poverty estimates are based upon an estimated absolute poverty income level below which a minimal nutritionally adequate diet plus essential non-food requirements are not affordable. According to the UN's Food and Agriculture Organization (FAO), *The Impact of Development Strategies on the Rural Poor* (Rome: FAO, 1988), p. 7, the poverty lines were determined by: (1) identifying the food basket consumed by low-income groups in the country (taken to be the 20th percentile of the household income distribution); (2) estimating the quantities of that food basket necessary to provide the minimum calories and proteins required for nutritional needs; (3) costing the minimum food basket at appropriate retail market prices; and (4) adding the estimated monetary equivalent of essential non-food needs (clothing, shelter, etc.). See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 139.

⁹ The estimate is referenced as originating from Idriss Jazairy, Mohiuddin Alamgir, and Theresa Panuccio, *The State of World Rural Poverty: An Inquiry into Its Causes and Consequences* (New York: New York University Press, 1992). The estimates in the study are based upon internal working documents or working papers of the International Fund for Agricultural Development (IFAD) and are usually provisional and rounded to the nearest multiple of 5. In many cases, the estimates do not appear to be based on household survey data, but were included in the ILO compendium since they relate to countries for which there were no other available estimates. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 138.

- ! for 1989, 4.9 percent of the Dominican population was below the poverty line of a monthly per capita income of US\$30 in 1985 purchasing power parity adjusted US\$; 24.1 percent of the Dominican population was below the poverty line of a monthly per capita income of US\$60 in 1985 purchasing power parity adjusted US\$.¹⁰
- ! for 1989, 22.3 percent of the Dominican population was below the poverty line of US\$30.42 per person per month (i.e., US\$1 per person per day) in 1985 purchasing power parity adjusted US\$.¹¹

The World Bank reports¹² that, in 1992, 20.6 percent of the Dominican Republic's population was below the national poverty line, with 10.6 percent of the urban population and 29.8 percent of the rural population living below the national poverty line; corresponding figures for 1989 were 24.5, 23.3, and 27.4 percent, respectively. In terms of the international poverty line, in 1989, 47.7 percent of the Dominican population was below the standard of US\$2 per person per day and 19.9 percent was below the standard of US\$1 per person per day, both in 1985 purchasing power parity adjusted US\$.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in the Dominican Republic meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that the minimum wage in the Dominican Republic does not provide a decent standard of living for a worker and family and, for example, covers only a fraction of the living costs for a family in Santo Domingo, where many families receive only

¹⁰ The estimates are referenced as originating from George Psacharopoulos, Samuel Morely, Ariel Fiszbein, Haeduck Lee, and Bill Wood, *Poverty and Income Distribution in Latin America: The Story of the 1980s*, Latin America and the Caribbean Technical Department, Regional Studies Program, Report No. 27 (Washington: World Bank, 1993), pp. 62-69. The study is based on national-level household surveys compiled by the Economic Commission for Latin America and the Caribbean (ECLAC) and the World Bank. The poverty lines, in 1985 purchasing power parity adjusted US\$, were converted into national currencies, but were not provided in the ILO compendium. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 138.

¹¹ The estimate is referenced as originating from Shaohua Chen, Gaurav Datt, and Martin Ravallion, "Is Poverty Increasing in the Developing World?" *Policy Research Working Paper* WPS 1146 (Washington: World Bank, 1993). The study follows the same methodology as that used by the World Bank in its *World Development Report 1990* (i.e., using an international poverty line of US\$1/US\$2 a day per person in 1985 purchasing power parity adjusted US\$), except that the data base has been considerably expanded and the purchasing power parity rates updated. The poverty line in the national currency was not provided in the ILO compendium. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

¹² World Bank, *World Development Report 1998-99* (New York: Oxford University Press, 1999), p. 196.

the minimum wage.¹³ No information on the living wage issue was provided by the U.S. Embassy.

A report by the Union of Needletrades, Industrial and Textile Employees (UNITE) states that:¹⁴

The base pay for a typical worker for a full 44-hour work-week amounts to [US]\$30.54, or 69¢ per hour.² This is only **a** of what the Dominican government estimates to be the necessary income for a typical family to meet its basic needs.³

² Take-home pay is lower, because of a legally required reduction of about 2.5% for social security (public health care).

³ Calculation done by Dominican economist Felipe Santos based on the Central Bank of the Dominican Republic's study, "Estudios sobre gastos e ingresos de la unidad familiar."

¹³ U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 606.

¹⁴ Union of Needletrades, Industrial and Textile Employees (UNITE), *A UNITE Report on Campus Caps Made By BJ&B in the Dominican Republic* (New York: UNITE, 1998), p. 6. This report is available on UNITE's web site at: <<http://www.uniteunion.org/sweatshops/schoolcap/schoolcap.html>>.